Indian Journal of Commerce, Business & Management (IJCBM)
An International Peer Reviewed, Refereed, Indexed, Quarterly Research journal of Commerce, Business & Management

ISSN : 3108-057X (Online)
3108-1282 (Print)
IIFS Impact Factor : 5.625
Vol.-2; Issue-3 (July-Sept.) 2026
Page No.- 56-66
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https:// ijcbm.gyanvividha.com

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An Analytical Study of FinTech Sector Growth in India

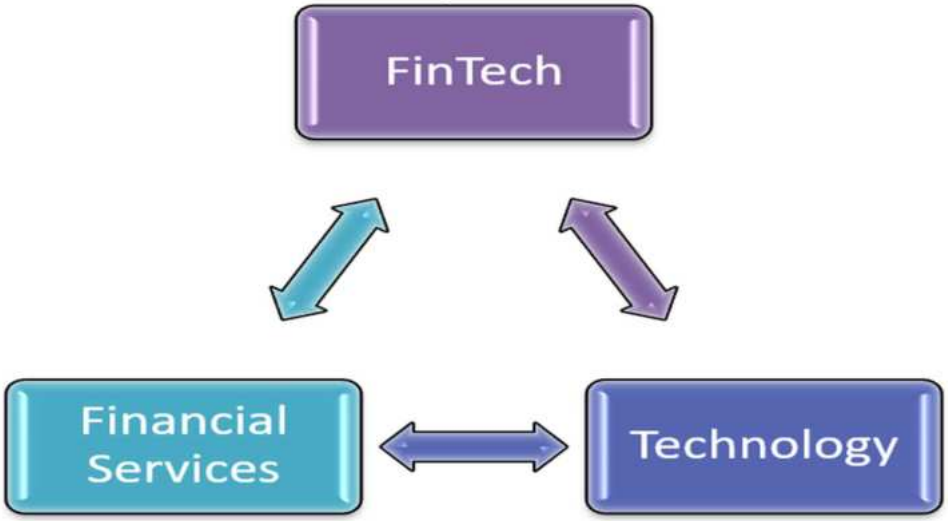
Abstract : One of the fastest growing industries in India is the FinTech (financial technology). With the advent of online and mobile transactions, mobile banking, digital lending, and the emergence of government policies such as Digital India and Unified Payments Interface, a transformation occurred in the financial sector. This paper presents the analysis of FinTech growth in India using secondary data gathered from published articles and reports. This study discusses the trends of growth within the FinTech industry in terms of financial inclusion. It was found that increased internet connectivity and smartphone usage along with the presence of digital payment technologies has played a significant role in boosting FinTech growth in India.

Keywords : FinTech, Digital Payments, UPI, Financial Inclusion, Digital Banking, India.

Introduction : Financial Technology (FinTech) refers to the use of technology to provide financial services more efficiently and conveniently. It includes digital payments, mobile banking, online lending, insurance technology, wealth management, and blockchain-based services.

The **FinTech (Financial Technology)** sector refers to the use of modern technology to provide financial services in a faster, more efficient, and customer-friendly manner. It includes digital payment systems, online banking, digital lending, insurance technology (InsurTech), wealth management, blockchain, and other technology-based financial solutions. The FinTech sector aims to improve financial inclusion, reduce transaction costs, enhance customer experience, and make financial services more accessible to individuals and businesses. In India, the rapid growth of smartphones, internet connectivity, digital payment platforms, and government initiatives has significantly contributed to the expansion of the FinTech sector.

Figure 1:



India has witnessed remarkable growth in the FinTech sector during the last decade. Government initiatives such as Digital India, Jan Dhan Yojana, Aadhaar, and the Unified Payments Interface (UPI) have created a strong digital financial ecosystem. The widespread use of smartphones and affordable internet services has further accelerated FinTech adoption across urban and rural areas. India is currently one of the world's leading FinTech markets, with digital payments and digital lending emerging as major growth segments.

Objectives of the Study

1. To examine the growth of the FinTech sector in India.
2. To analyze the role of FinTech in promoting financial inclusion in India.

Research Methodology : This study is based on a descriptive and analytical research design and uses only secondary data. The required information has been collected from reliable sources such as reports of the Reserve Bank of India (RBI), National Payments Corporation of India (NPCI), government publications, research journals, books, annual reports, and reliable websites. The collected data has been analyzed using simple tools such as tables, and percentages, to understand the growth and development of the FinTech sector in India.

Review of Literature :

1. Arner, Douglas W., Barberis, Janos, and Buckley, Ross P. (2015) explained that FinTech has transformed the financial services industry by improving efficiency, reducing costs, and increasing access to financial products. Their study highlighted that technological innovation is reshaping the future of banking and financial services.
2. Dorfleitner, Gregor et al. (2017) examined the FinTech ecosystem and found that digital technologies have significantly changed traditional financial services. The study discussed various FinTech segments such as payments, lending, insurance, and investment management.
3. Lee, In and Shin, Yong Jae (2018) studied the current status of FinTech and concluded that innovations such as artificial intelligence, blockchain, and big data are creating new opportunities while also introducing regulatory and security challenges.
4. Saksonova, Svetlana and Kuzmina-Merlino, Irina (2017) analyzed the impact of FinTech on the banking sector and found that financial technology has improved customer experience through faster, more convenient, and cost-effective financial services.

5. Thakor, Anjan V. (2020) examined the role of FinTech in modern financial markets and concluded that FinTech promotes competition and innovation but also requires effective regulation to maintain financial stability and consumer protection.
6. Philippon, Thomas (2016) studied the digital transformation of financial services and observed that FinTech companies improve market efficiency by reducing transaction costs and providing innovative financial solutions.
7. NITI Aayog (2022) reported that India's FinTech sector has experienced rapid growth due to increasing smartphone usage, internet penetration, digital payment systems, and supportive government initiatives. The report highlighted India's emergence as one of the world's fastest-growing FinTech markets.
8. Reserve Bank of India (2023) emphasized that digital payment systems and financial technology have strengthened financial inclusion in India. The report also stressed the importance of cybersecurity, consumer protection, and effective regulation for sustainable growth.
9. National Payments Corporation of India (2023) reported that the widespread adoption of digital payment platforms has significantly increased cashless transactions across the country, making India a global leader in digital payments.
10. Boston Consulting Group and Federation of Indian Chambers of Commerce and Industry (2021) observed that the Indian FinTech sector has attracted strong investments and rapid customer adoption, with significant growth in digital lending, wealth management, insurance technology, and payment services.

Research Gap : Most previous studies have focused on digital payments, online banking, or specific FinTech services. However, only a few studies provide an overall analysis of the growth of the FinTech sector in India using recent secondary data. Therefore, this study attempts to examine the overall growth, trends, opportunities, and challenges of the Indian FinTech sector in a simple and comprehensive manner.

Major FinTech Services in India :

Figure 2

1. Digital KYC Process : Digital KYC (Know Your Customer) allows customers to verify their identity online using Aadhaar, PAN, or other documents. It makes opening bank accounts and using financial services faster and easier.
2. Reg Tech (Regulatory Technology) : Reg Tech uses technology to help banks and financial institutions follow government rules and regulations. It reduces paperwork and improves compliance.
3. Blockchain : Block chain is a secure digital technology that records transactions safely. It helps prevent fraud and increases transparency in financial transactions.
4. Biometric ID : Biometric ID uses fingerprints, face recognition, or iris scans to verify a person's identity. It provides secure and quick access to banking and payment services.
5. Cloud Computing : Cloud technology helps financial institutions store and manage data online. It improves security, reduces costs, and allows customers to access services anytime.
6. Mobile Money and E-Wallets : Mobile wallets allow users to make digital payments, transfer money, and pay bills through smartphones. Popular examples in India include PhonePe, Paytm, and Google Pay.
7. Crowdfunding : Crowd funding helps individuals and businesses raise money from many people through online platforms. It is commonly used by startups and small businesses.
8. Alternative Credit Scoring : Alternative credit scoring uses digital data such as payment history and mobile usage to evaluate a person's creditworthiness, helping people without a traditional credit history obtain loans.
9. Cross-Border Remittances : This service allows people to send and receive money internationally quickly, securely, and at lower costs using digital financial platforms.

These services have played an important role in the rapid growth of the FinTech sector in India by making financial services faster, safer, more convenient, and accessible to a larger population.

Growth of FinTech Sector in India : The Indian FinTech industry has grown rapidly due to technological advancements and government support. The introduction of UPI revolutionized digital transactions by enabling instant fund transfers through mobile applications.

Table 1: Growth of India's Digital Payment Ecosystem

Financial Year	Retail Digital Payment Volume (Crore Transactions)	Retail Digital Payment Value (₹ Lakh Crore)	Annual Volume Growth (%)
2021–22	7,176.90	457.44	—
2022–23	11,369.56	587.39	58.42
2023–24	16,416.02	719.37	44.39
2024–25	22,167.90	849.12	35.04

(**Source:** Ministry of Finance, Government of India; RBI Digital Payment Statistics.)

The above table shows that India's FinTech sector has experienced remarkable growth during the last four financial years. Retail digital payment transactions increased from 7,176.90 crore in 2021–22 to 22,167.90 crore in 2024–25, representing more than a threefold increase. Similarly, the total transaction value increased from ₹457.44 lakh crore to ₹849.12 lakh crore during the same period. Although the annual growth rate declined from 58.42% in 2022–23 to 35.04% in 2024–25, the overall trend remains strongly positive, indicating that digital financial services continue to expand rapidly across India. This growth reflects increasing smartphone usage, internet penetration, government support for Digital India, improved banking infrastructure, and widespread adoption of FinTech platforms.

Table 2: Growth of FinTech Startups in India

Year	Number of FinTech Startups
2018	1,218
2019	1,800
2020	2,100
2021	3,000
2022	4,200
2023	5,500

(Source: India Brand Equity Foundation (IBEF), NASSCOM Reports.)

The above table indicates a significant increase in the number of FinTech startups in India. The number of startups grew from 1,218 in 2018 to 5,500 in 2023, reflecting the rapid development of the FinTech ecosystem. This growth has been supported by increased digital adoption, government initiatives, venture capital investments, and rising demand for innovative financial services. The expansion of FinTech startups has contributed to greater competition, improved financial accessibility, and enhanced customer experiences.

Table 3: FinTech Investment in India

Year	Investment (US$ Billion)
2019	2.0
2020	2.7
2021	8.4
2022	5.9
2023	3.5

(**Source:** KPMG Pulse of FinTech Report, IBEF.)

The table shows that investment in the Indian FinTech sector increased substantially between 2019 and 2021, reaching a peak of US$ 8.4 billion in 2021. Although investments declined in 2022 and 2023 due to global economic uncertainties and tighter funding conditions, the sector continued to attract significant capital. The high level of investment demonstrates investor confidence in India's digital finance market and its long-term growth potential.

Table 4: Growth of Internet Users in India

Year	Internet Users (Million)
2018	483
2019	560
2020	622
2021	692
2022	759
2023	820

(**Source:** Telecom Regulatory Authority of India (TRAI), Statista.)

Internet penetration is one of the key drivers of FinTech growth in India. The number of internet users increased from 483 million in 2018 to 820 million in 2023. Greater internet access has enabled consumers to use mobile banking, digital wallets, online lending platforms, and investment applications. The expansion of digital connectivity has particularly benefited rural and semi-urban areas, supporting financial inclusion.

Table 5: Growth of India's FinTech Market Size

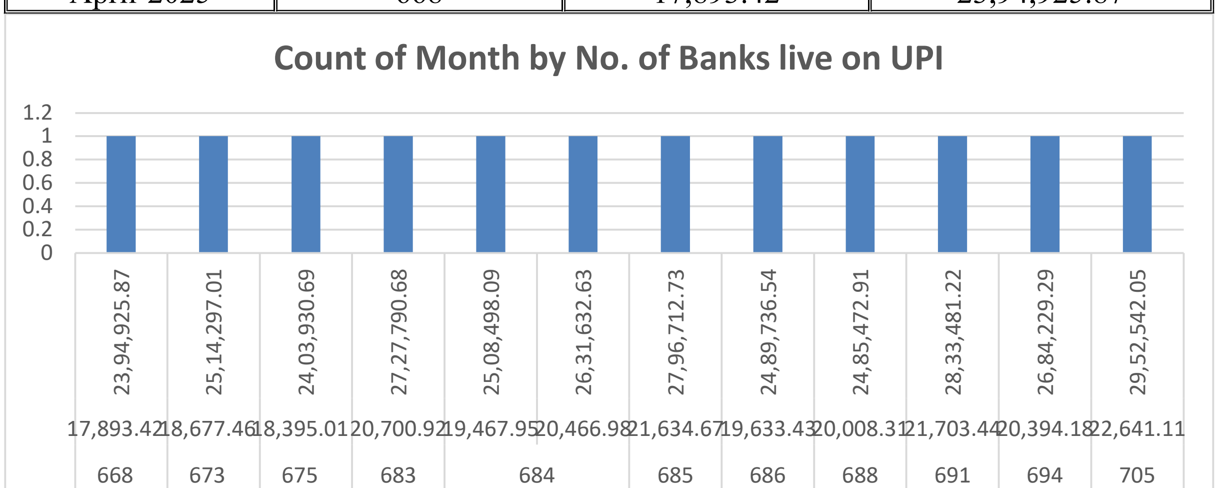
Year	Estimated Market Size (US$ Billion)
2019	31
2021	50
2023	75
2025*	150

(**Source:** NITI Aayog, Invest India, and industry reports.)

The FinTech market in India has grown rapidly over the last few years. The estimated market size increased from US$ 31 billion in 2019 to US$ 75 billion in 2023, and it is expected to reach around US$ 150 billion by 2025. This indicates strong investor confidence, rising digital transactions, and increasing use of online financial services. The growth also shows that India has become one of the fastest-growing FinTech markets in the world.

Table 6: UPI Growth in the Year 2025-2026

Month	No. of Banks live on UPI	Volume (In Mn.)	Value (In Cr.)
March-2026	705	22,641.11	29,52,542.05
February-2026	694	20,394.18	26,84,229.29
January-2026	691	21,703.44	28,33,481.22
December-2025	685	21,634.67	27,96,712.73
November-2025	684	20,466.98	26,31,632.63
October-2025	683	20,700.92	27,27,790.68
September-2025	686	19,633.43	24,89,736.54
August-2025	688	20,008.31	24,85,472.91
July-2025	684	19,467.95	25,08,498.09
June-2025	675	18,395.01	24,03,930.69
May-2025	673	18,677.46	25,14,297.01
April-2025	668	17,893.42	23,94,925.87



Unified Payments Interface (UPI): Unified Payments Interface (UPI) is a system that empowers users to add multiple bank and other allowed accounts (of any participating bank) into a UPI App, merging several banking features, seamless fund routing & merchant payments under one hood. The pilot launch on UPI was done on 11th April 2016 by Dr. Raghuram G Rajan, Governor, RBI at Mumbai.

Table 7: BHIM Growth in the Year 2025-2026

Month	No. of Banks live on BHIM	Volume (In Mn.)	Value (In Cr.)
March-2026	539	216	25,533
February-2026	531	187	21,926
January-2026	526	183	22,717
December-2025	524	165.1	20,854
November-2025	524	147.1	18,851
October-2025	524	135.9	20,026
September-2025	522	119.85	16803.0
August-2025	523	108.62	15500.0
July-2025	512	94.64	14986.0
June-2025	512	79.64	12124.2
May-2025	500	70.96	11,621
April-2025	497	59.31	10,688.10

Bharat Interface for Money (BHIM): Bharat Interface for Money (BHIM) is an app that lets you make simple, easy and quick payment transactions using Unified Payments Interface (UPI). You can make instant bank-to-bank payments and pay and collect money using just Mobile number or Virtual Payment Address (UPI ID).

The following are the features of BHIM:

- Send Money
- Request Money
- Scan & Pay
- Transactions

FinTech and Financial Inclusion

1. Expanding Access to Digital Payments : One of the biggest contributions of FinTech is the rapid growth of digital payment systems. Platforms such as the Unified Payments Interface (UPI), mobile wallets, internet banking, and QR code-based payments have made money transfers simple, fast, and secure. People can send or receive money at any time using a smartphone without visiting a bank branch.

India has become a global leader in digital payments. According to the National Payments Corporation of India (NPCI), UPI processes more than 18 billion transactions every month (2025), making it the world's largest real-time digital payment system. Digital payments have reduced the use of cash and improved financial participation among both urban and rural populations.

2. Improving Banking Services in Rural Areas : Many villages in India have limited access to physical bank branches. FinTech has reduced this gap by offering mobile banking and digital banking services. Customers can open accounts, transfer funds, pay bills, and check account balances using smartphones or banking correspondents.

Government initiatives such as Pradhan Mantri Jan Dhan Yojana (PMJDY) have further strengthened financial inclusion through digital banking. As of 2025, India has more than 55 crore Jan Dhan accounts, many of which are linked with Aadhaar and mobile numbers (JAM Trinity), enabling direct benefit transfers and digital transactions.

3. Supporting Small Businesses and MSMEs : FinTech has simplified access to finance for Micro, Small, and Medium Enterprises (MSMEs). Traditional bank loans often require extensive documentation and long approval processes. FinTech lending platforms use digital records, bank transaction history, GST data, and alternative credit assessment methods to provide faster loans.

This has helped many small businesses obtain working capital, improve cash flow, and expand their operations. During the COVID-19 period, digital lending played a significant role in supporting MSMEs when traditional financing became difficult.

4. Promoting Financial Inclusion Among Women : FinTech has empowered women by providing independent access to financial services through mobile banking and digital payment applications. Women can receive government benefits, manage savings, make online purchases, and conduct financial transactions without depending on others.

According to the World Bank Global Findex Database (2021), India has significantly reduced the gender gap in account ownership due to digital financial services and government inclusion initiatives. Digital banking has increased financial independence, particularly for women in rural areas.

5. Facilitating Government Welfare Payments : FinTech has improved the delivery of government welfare schemes through Direct Benefit Transfer (DBT). Subsidies, pensions, scholarships, and welfare payments are directly transferred into beneficiaries' bank accounts, reducing delays, corruption, and leakages.

The integration of Aadhaar, Jan Dhan accounts, and mobile numbers has improved transparency and ensured that benefits reach the intended recipients efficiently.

6. Increasing Financial Literacy Through Digital Platforms : Several FinTech companies provide educational content through mobile applications, websites, videos, and chatbots. These platforms educate users about savings, investments, insurance, budgeting, digital payments, and fraud prevention.

Improved financial literacy enables people to use digital financial services more confidently and responsibly. This contributes to long-term financial inclusion and better financial decision-making.

7. Expanding Digital Insurance Services : FinTech has made insurance products more affordable and accessible. Customers can compare policies, purchase insurance online, renew policies, and submit claims digitally. Micro-insurance products are now available for low-income households at affordable premiums.

Digital insurance platforms have increased insurance penetration, particularly among first-time users and rural populations.

8. Promoting a Cashless Economy : FinTech supports India's transition toward a digital and cashless economy. Digital payment platforms, QR codes, contactless payments, and mobile wallets have reduced dependence on cash transactions.

Government initiatives such as Digital India, UPI, and BHIM have accelerated digital payment adoption across various sectors including retail, education, healthcare, and transportation. A cashless economy improves transparency, reduces tax evasion, and supports inclusive economic growth.

Government Initiatives Promoting FinTech and Financial Inclusion in India

Table 8: Government Initiatives Promoting FinTech and Financial Inclusion in India

Initiative	Launch Year	Objective	Role of FinTech in Financial Inclusion
Pradhan Mantri Jan Dhan Yojana (PMJDY)	2014	Provide every unbanked adult with a basic savings bank account and access to financial services.	Enabled digital banking, RuPay debit cards, Direct Benefit Transfer (DBT), mobile banking, and financial access for rural and low-income households. (Department of Financial Services)
JAM Trinity (Jan Dhan–Aadhaar–Mobile)	2014–2015	Integrate bank accounts, Aadhaar, and mobile numbers to improve service delivery.	Supports secure digital identity, e-KYC, DBT, and easy access to digital financial services through mobile technology. (PM Jan Dhan Yojana)
Digital India Programme	2015	Transform India into a digitally empowered society and knowledge economy.	Improved digital infrastructure, internet connectivity, and digital literacy, supporting wider adoption of FinTech services. (Department of Financial Services)
Unified Payments Interface (UPI)	2016	Enable instant, real-time digital payments between bank accounts.	Promotes cashless transactions, QR-code payments, merchant acceptance, and low-cost digital payments across urban and rural India. (Department of Financial Services)
BHIM (Bharat Interface for Money)	2016	Provide a simple and secure UPI-based payment application.	Encourages digital payments among individuals, small businesses, and first-time digital users. (Department of Financial Services)
Aadhaar Enabled Payment System (AePS)	2014	Provide banking services using Aadhaar authentication.	Enables cash withdrawal, balance enquiry, and fund transfers through Business Correspondents in rural and remote areas. (PM Jan Dhan Yojana)
Direct Benefit Transfer (DBT)	2013	Transfer government subsidies and welfare benefits directly to beneficiaries.	Uses digital banking and Aadhaar-linked accounts to improve transparency and reduce leakages in welfare payments. (PM Jan Dhan Yojana)
Pradhan Mantri Mudra Yojana (PMMY)	2015	Provide collateral-free loans to micro and small enterprises.	FinTech platforms simplify digital loan applications, credit assessment, and faster loan disbursement for MSMEs. (Department of Financial Services)

Initiative	Launch Year	Objective	Role of FinTech in Financial Inclusion
Account Aggregator (AA) Framework	2021	Enable secure sharing of financial data with customer consent.	Supports digital lending, faster credit decisions, and personalized financial services while protecting customer data. (Department of Financial Services)
Digital Banking Units (DBUs)	2022	Expand digital banking services across India.	Provides digital banking facilities in underserved areas and improves access to digital financial services. (Department of Financial Services)
e-RUPI Digital Voucher	2021	Deliver targeted benefits through prepaid digital vouchers.	Enables cashless, contactless, and purpose-specific digital payments without requiring a physical card. (Department of Financial Services)
Central Bank Digital Currency (Digital Rupee/e₹)	2022 (Pilot)	Introduce a digital form of the Indian Rupee issued by the RBI.	Promotes secure digital payments, financial innovation, and wider access to digital financial services. (Department of Financial Services)

Challenges Faced by the FinTech Sector : Despite significant growth, the sector faces several challenges:

- Cybersecurity threats
- Data privacy concerns
- Regulatory compliance costs
- Digital literacy gaps
- Fraud and cybercrime risks
- Intense market competition

Addressing these challenges is essential for sustainable growth.

Findings of the Study :

1. The Indian FinTech sector has experienced rapid growth due to digital transformation and supportive government policies.
2. UPI has become the backbone of India's digital payment ecosystem.
3. FinTech has significantly improved financial inclusion by expanding access to digital financial services.
4. Digital lending and payment technologies are the leading growth segments.
5. Regulatory support and technological innovation continue to drive industry expansion.

Conclusion : The FinTech sector has emerged as a key contributor to India's economic and financial development. Digital payments, digital lending, and innovative financial products have transformed the way financial services are delivered. The sector has enhanced financial inclusion, improved efficiency, and promoted cashless transactions. Although challenges such as cybersecurity and regulatory compliance remain, the future of the Indian FinTech industry appears promising. Continued technological innovation and supportive government policies are expected to further strengthen the sector's growth in the coming years.

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